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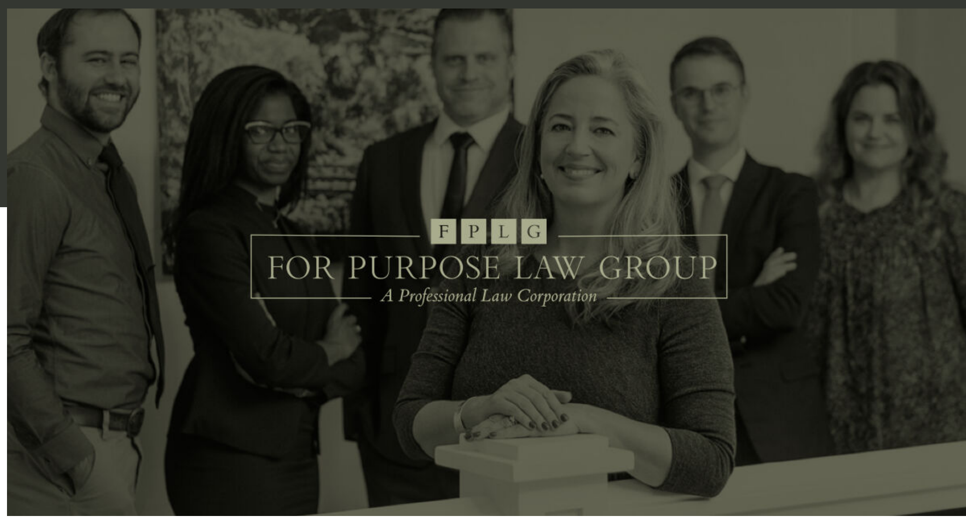
Corporate Governance Redesigned: A Sweet Briar College & San Diego Opera Update

06.30.16 | Linda J. Rosenthal, JD



Last year, we highlighted two intriguing governance stories that captured the attention of the philanthropy community.

There were certain striking similarities in these cases on opposite sides of the U.S. continent. Each involved a prestigious community institution in which board and executive insiders strong-armed a shutdown vote on the grounds of purportedly insurmountable financial difficulties. Each was eventually unsuccessful – the dissolution vote was overturned – and a newer stronger governance model has emerged.

A Tale of Two Coups

The West Coast case was in 2014. The San Diego Opera had been dominated for many years by charismatic Ian Campbell, who was in charge of both the artistic and organizational sides of the institution.

There were financial struggles, partly due to the maestro's penchant for lavish, grand-opera, productions. He and board insiders, convinced there was no alternative to calling it quits, announced an emergency special board meeting and rammed through a dissolution vote. Quickly, many independent board members had buyer's remorse and launched a coup, bolstered by impressive community and media support as well as a successful crowdfunding campaign to get the 2014-2015 season back on track. Ian Campbell was out; bold, innovative leadership was in, along with a new organizational culture and open governance practices. See "San Diego Opera: A Dynamic Different Than Sweet Briar," our 2015 post with more details and analysis of this situation.

The East Coast story was exactly one year later, in the spring of 2015. The aforesaid Sweet Briar College is a prestigious, 100-year-old, women's college nestled in the idyllic foothills of Virginia's

Blue Ridge Mountains. Like other rural, single-gender, educational institutions, enrollment was declining and there were worries about continued viability.

Nevertheless, everyone but a handful of insiders – the acting president and the executive committee of the board – was blindsided at an emergency special meeting when a "sky-is-falling" financial report was presented. Pressured and cowed by the apparent superior knowledge of these insiders, the community board voted to close the school by end of term. Reaction was immediate; faculty, students, staff, alumnae, and community members in local Amherst were furious. This time, the board did not relent and reverse its decision; it went to war with these stakeholders, in emergency litigation that went up to the Virginia Supreme Court in record time. Within a few months, the old guard were out, a new board was in place, and old ways of running the College were gone. The fall 2015 academic term of this venerable, 100-year-old, institution went on as planned. See Sweet Briar College: Saved – At Least for Now," our post in 2015 about this case.

Lessons Learned and Shared

Last fall, *The Nonprofit Quarterly*'s editor, Ruth McCambridge, hosted a webinar featuring the two women who had played key roles in each institution's reorganization: Sweet Briar College's Teresa Tomlinson and San Diego Opera's Carol Lazier. Also participating was Vernetta Walker, Vice President of Programs and Chief Governance Officer for BoardSource.

The lively panel discussion was "full of important insights for charity boards, large and small." See " Lessons in Charity Governance, Courtesy of Sweet Briar and San Diego Opera," our report on that session.

The panelists focused particularly on the significant changes in organizational governance practices and culture that were ushered in at these two important community institutions once the old guard were replaced. Their success in the short- and long-term will depend not just on a change of personnel, but on institutional reforms to ensure that a secretive, insular, leadership cadre would not again emerge and dominate the organization.

There was a consensus on three key points of advice, each of which was discussed at some length:

- Be Wary of Vanity Boards and Top-Down Management by Insiders
- Reform Governance Documents and Policies
- Recognize the Value of Stakeholders and Networks

Sweet Briar's New Bylaws

Recently, Sweet Briar took a giant step in connection with the second of these three goals; that is, revamping corporate governing documents. In April 2016, the new board adopted entirely new bylaws that include multiple safeguards against insider dominance and – particularly – an executive committee with too much authority and discretion.

Nonprofit Quarterly's report of this development includes a copy of the two-page letter summary issued by the Sweet Briar board to all of the stakeholders that helped save the College; that is, faculty, students, staff, alumnae, and town residents and leaders.

The publication's analysis reads, in part:

> *Once it had wrested control away from a board that had no faith in the future of the college, the new board needed to demonstrate clearly that it was a different kind of governing body—one which recognized that the power of the stakeholders to revolt when necessary could also be the power to sustain. But shifting from revolution mode to sustenance mode required clear new governance practices from this board.*

The new bylaws adopt a "'strong Working Committee model of Board governance. The Executive Committee, unlike the practices of the prior Board, cannot act for the Board. Rather, the Executive Committee is empowered only to recommend items for consideration to the Working Committees.'" The role of the "Working Committees" is "developing and vetting ideas and proposals that are then presented to the entire Board for discussion and approval."
An innovative feature of the new governing scheme is that the Working Committees "include, as voting members, appropriate stakeholders such as faculty, students, alumnae, and other members of the Sweet Briar community." And the Sweet Briar College Board of Directors views its new bylaws as a "living document" that can and should be re-evaluated frequently and changed as needed.

Conclusion

Nonprofit Quarterly shared this document because —

> *[t]he changes laid out ... speak to the dangers of an executive committee with too much power and to the benefits of enlisting the intelligent support of [an institution's] natural networks.*